

VILLAGE OF ONSTED
Lenawee County, Michigan
Financial Statements
Year Ended February 29, 2004
With
Report Of Certified Public Accountants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF ONSTED	County LENAWEE
Audit Date 2/29/04	Opinion Date 8/30/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

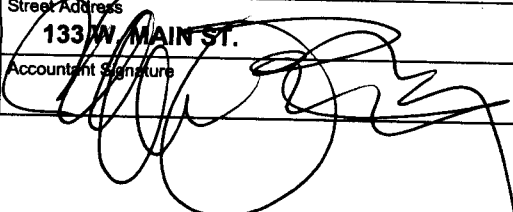
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA			
Street Address 133 W. MAIN ST.	City MORENCI	State MI	ZIP 49256
Accountant Signature 		Date 8/30/04	

VILLAGE OF ONSTED, MICHIGAN

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- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

August 30, 2004

To the Village Council
Village of Onsted
Lenawee County, Michigan 49265

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the Village of Onsted as of and for the year ended February 29, 2004, as listed in the table on contents. These financial statements are the responsibility of the management of the Village of Onsted. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the general fixed assets group of accounts, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Onsted at February 29, 2004, and the results of its operations and cash flows of its proprietary fund types for the year ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying combining and individual fund financial statements and other financial information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Onsted. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Philip R. Rubley, CPA

VILLAGE OF ONSTED, MICHIGAN
Combined Balance Sheet - All Fund Types
February 29, 2004

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenues</u>
<u>Assets:</u>		
Cash - Demand Deposits	\$157,724	\$103,430
Cash - Savings/Certificate of Deposits	---	---
Receivables:		
Interest	---	---
Accounts	24,002	---
Tax	9,423	---
Other	---	---
Prepaid Expenses`	17,832	---
Due From Other Funds	12,595	18,381
Land	---	---
Plant, Property and Equipment	---	---
(Less) Accumulated Depreciation	---	---
Amount To Be Provided For	---	---
Retirement of Note	---	---
Total Assets	<u>\$221,576</u>	<u>\$121,811</u>
<u>Liabilities & Fund Equity</u>		
<u>Liabilities:</u>		
Accounts Payable	\$ 19,550	\$ ---
Payroll Withholding & Accruals	40	---
Due to Other Funds	35,394	3,326
Accrued Equipment Rental	---	247
Notes Payable	---	---
Total Liabilities	<u>54,984</u>	<u>3,573</u>
<u>Fund Equity:</u>		
Contributed Capital	---	---
<u>Retained Earnings:</u>		
Unrestricted	---	---
Fund Balance - Undesignated	166,592	118,238
Total Fund Equity	<u>166,592</u>	<u>118,238</u>
Total Liabilities and Fund Equity	<u>\$221,576</u>	<u>\$121,811</u>

The accompanying notes are an integral part of these financial statements.

<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Account Group General Long Term Debt</u>
<u>Enterprise</u>	<u>Agency</u>	
\$ 153,163	\$ 50	\$ ---
202,170	---	---
---	---	---
26,493	---	---
---	---	---
---	---	---
3,111	---	---
36,837	---	---
51,655	---	---
2,751,654	---	---
(1,817,253)	---	---
---	---	11,385
<u>\$1,407,830</u>	<u>\$ 50</u>	<u>\$11,385</u>
\$ 1,058	\$ ---	\$ ---
---	---	---
29,093	50	---
---	---	---
<u>361,491</u>	<u>---</u>	<u>11,385</u>
<u>391,642</u>	<u>50</u>	<u>11,385</u>
445,842	---	---
570,346	---	---
---	---	---
<u>1,016,188</u>	<u>---</u>	<u>---</u>
<u>\$1,407,830</u>	<u>\$ 50</u>	<u>\$11,385</u>

<u>Total (Memorandum Only) Primary Government</u>	<u>Component Unit Medical Center</u>	<u>Total (Memorandum Only) Reporting Entity</u>
\$ 414,367	\$ 18,602	\$ 432,969
202,170	42,981	245,151
---	---	---
50,495	---	50,495
9,423	---	9,423
---	---	---
20,943	---	20,943
67,813	---	67,813
51,655	5,000	56,655
2,751,654	122,056	2,873,710
(1,817,253)	(110,241)	(1,927,494)
<u>11,385</u>	<u>---</u>	<u>11,385</u>
<u>\$ 1,762,652</u>	<u>\$ 78,398</u>	<u>\$1,841,050</u>
\$ 20,608	\$ ---	\$ 20,608
40	---	40
67,863	---	67,863
247	---	247
<u>372,876</u>	<u>---</u>	<u>372,876</u>
<u>461,634</u>	<u>---</u>	<u>461,634</u>
445,842	---	445,842
570,346	78,398	648,744
<u>284,830</u>	<u>---</u>	<u>284,830</u>
<u>1,301,018</u>	<u>78,398</u>	<u>1,379,416</u>
<u>\$ 1,762,652</u>	<u>\$ 78,398</u>	<u>\$1,841,050</u>

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Revenues, Expenditures And Changes
In Fund Balance - All Governmental Fund Types
For the Year Ended February 29, 2004

	<u>General</u>	<u>Special Revenue</u>
<u>Revenues:</u>		
Property Taxes	\$164,939	\$ ---
Licenses and Permits	---	---
Intergovernmental Revenues	77,423	64,654
Rents	15,142	---
Miscellaneous & Interest	4,918	2,312
Total Revenues	<u>262,422</u>	<u>66,966</u>
<u>Expenditures:</u>		
General Government	157,624	---
Public Safety	17,904	---
Highway & Streets	16,172	70,034
Sanitation	16,336	---
Parks & Library	9,665	965
Equipment Rental	---	---
Community Promotion	6,876	---
Total Expenditures	<u>224,577</u>	<u>70,999</u>
Excess Revenues Over (Under) Expenditures	<u>37,845</u>	<u>(4,033)</u>
<u>Other Financing Sources (Uses):</u>		
Notes Payable - FMC	(13,671)	---
Transfers In	---	12,000
Transfers (Out)	---	(12,000)
Total Other Financing Sources (Uses)	<u>(13,671)</u>	<u>---</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	24,174	(4,033)
<u>Fund Balances - Beginning Of Year</u>	<u>142,418</u>	<u>122,271</u>
<u>Fund Balances - End Of Year</u>	<u>\$166,592</u>	<u>\$118,238</u>

The accompanying notes are an integral part of these financial statements.

Totals
(Memorandum Only)

2004

2003

\$164,939

\$156,597

7,515

142,077

142,152

15,142

14,801

7,230

8,252

329,388

329,317

157,624

134,916

17,904

26,306

86,206

49,307

16,336

22,664

10,630

4,611

6,876

2,384

295,576

240,188

33,812

89,129

(13,671)

(13,671)

12,000

4,000

(12,000)

(4,000)

(13,671)

(13,671)

20,141

75,458

264,689

189,232

\$284,830

\$264,690

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Revenues, Expenditures And Changes In Fund
Balance - Budget And Actual - General And Special Revenue Fund Types
For the Year Ended February 29, 2004

	<u>General Funds</u>		Variance
	<u>Budget</u>	<u>Actual</u>	Over (Under)
<u>Revenues:</u>			
Property Taxes	\$180,000	\$164,939	\$ (15,061)
Licenses & Permits	---	---	---
Intergovernmental Revenue	78,000	77,423	(577)
Rents	17,800	15,142	(2,658)
<u>Miscellaneous:</u>			
Contributions	---	---	---
Interest in Investments	5,000	4,918	(82)
Miscellaneous	5,975	---	(5,975)
Total Miscellaneous	10,975	4,918	(6,057)
Total Revenues	<u>\$286,775</u>	<u>\$262,422</u>	<u>\$ (24,353)</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
\$ ----	\$ ----	\$ ----
----	----	----
57,000	64,654	7,654
----	----	----
----	----	----
1,100	2,263	1,163
----	49	49
1,100	2,312	1,212
<u>\$58,100</u>	<u>\$66,966</u>	<u>\$8,866</u>

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Revenues, Expenditures And Changes In Fund
Balances - Budget And Actual - General And Special Revenue Fund Types
For the Year Ended February 29, 2004

	<u>General Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Over</u>
<u>Expenditures</u>			<u>(Under)</u>
Village Council	\$ 10,000	\$ 9,994	\$ 6
Wages & Fringe - Unallocated	54,543	59,620	(5,077)
Elections	1,400	441	959
General Services Administration:			
Legal	6,900	4,179	2,721
Clerk	8,742	8,742	---
Audit and Accounting	2,495	3,190	(695)
Treasurer	4,917	4,831	86
Village Hall and Grounds	119,923	22,923	97,000
Protective Inspection	---	62	(62)
Police Protection	12,000	12,000	---
Crossing Guards	5,400	5,904	(504)
Street Lighting	17,500	16,172	1,328
Construction	---	---	---
Routine Maintenance	---	---	---
Winter Maintenance	---	---	---
Sidewalk & Street Maintenance	---	1,010	(1,010)
Planning/Zoning	1,000	117	883
Sanitation	25,000	16,336	8,664
Park	20,000	6,165	13,835
Library	3,500	3,500	---
Community Promotion	5,800	6,876	(1,076)
Insurance and Bonds	14,800	19,605	(4,805)
Capital Outlay	---	---	---
Miscellaneous	20,300	22,910	(2,610)
Total Expenditures	<u>334,220</u>	<u>224,577</u>	<u>109,643</u>
Excess Revenues Over (Under)			
 Expenditures	<u>(47,445)</u>	<u>37,845</u>	<u>85,290</u>
Other Financing Sources (Uses):			
Notes Payable - FMC	(14,000)	(13,671)	329
Transfers In	---	---	---
Transfers (Out)	---	---	---
Total Other Financing			
 Sources (Uses)	<u>(14,000)</u>	<u>(13,671)</u>	<u>329</u>
Excess of Revenues and Other			
 Sources Over (Under)			
 Expenditures and Other Uses	(61,445)	24,174	85,619
Fund Balances, Beginning Of Year	<u>142,418</u>	<u>142,418</u>	<u>---</u>
Fund Balances, End Of Year	<u>\$ 80,973</u>	<u>\$166,592</u>	<u>\$ 85,619</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Revenues, Expenses And Changes In Retained
Earnings/Fund Balances - All Proprietary Fund Types
For the Year Ended February 29, 2004

	<u>Proprietary Fund Types Enterprise</u>	<u>Component Unit Medical Center</u>	<u>Total (Memorandum Only) Reporting Entity</u>
<u>Operating Revenues:</u>			
Charges for Services	\$ 309,087	\$ ---	\$ 309,087
Miscellaneous/Rents	26,507	21,606	48,113
Total Operating Revenues	<u>335,594</u>	<u>21,606</u>	<u>357,200</u>
<u>Operating Expenses:</u>			
Salaries, Wages & Fringe Benefits	81,623	---	81,623
Supplies	601	294	895
Repair & Maintenance	80,881	2,122	83,003
Printing and Publishing	---	---	---
Utilities	25,562	---	25,562
Property Taxes	---	3,330	3,330
Equipment Rental	1,128	820	1,948
Insurance	---	---	4,797
Legal	4,797	570	570
Miscellaneous	---	347	347
Depreciation	83,461	2,789	86,250
Total Operating Expenses	<u>278,053</u>	<u>10,272</u>	<u>288,325</u>
Operating Income (Loss)	<u>57,541</u>	<u>11,334</u>	<u>68,875</u>
<u>Non-Operating Revenues:</u>			
Interest on Investments	9,561	1,827	11,388
Transfer (to) Other Funds	---	---	---
Total Non-Operating Revenues	<u>9,561</u>	<u>1,827</u>	<u>11,388</u>
<u>Non-Operating (Expenses:</u>			
Interest on Loans	(22,930)	---	(22,930)
Total Non-Operating (Expenses)	<u>(22,930)</u>	<u>---</u>	<u>(22,930)</u>
Net Income (Loss)	<u>44,172</u>	<u>13,161</u>	<u>57,333</u>
<u>Amortization Of Contributed Capital</u>	<u>34,805</u>	<u>---</u>	<u>34,805</u>
Net Increase (Decrease In Retained Earnings)	<u>78,977</u>	<u>13,161</u>	<u>92,138</u>
<u>Retained Earnings At Beginning Of Year</u>	<u>972,016</u>	<u>65,237</u>	<u>1,037,253</u>
<u>Retained Earnings At End Of Year</u>	<u>\$1,050,993</u>	<u>\$78,398</u>	<u>\$1,129,391</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Cash Flows - All Proprietary Fund Types
For the Year Ended February 29, 2004

	<u>Proprietary Fund Types</u>	<u>Component Unit Medical Center</u>	<u>Total (Memorandum Only) Reporting Entity</u>
	<u>Enterprise</u>		
Cash Flow From			
<u>Operating Activities:</u>			
Cash Received From Customers	\$ 303,258	\$ ---	\$303,258
Cash Received Other	26,507	---	26,507
Cash Received From Rent, Etc.	---	21,606	21,606
Cash Payments For Services	<u>(195,616)</u>	<u>(7,483)</u>	<u>(203,099)</u>
Net Cash Provided By Operating Activities	<u>134,149</u>	<u>14,123</u>	<u>148,272</u>
Cash Flows From			
<u>Capital And Related Financing Activities:</u>			
Payment on Bank Loans	11,506	---	11,506
Payment on Interest on Loans	22,930	---	22,930
Acquisition of Property & Equipment	<u>126,546</u>	<u>---</u>	<u>126,546</u>
Net Cash Provided By Capital And Related Financing Activities	<u>160,982</u>	<u>---</u>	<u>160,982</u>
Cash Flows From			
<u>Investing Activities:</u>			
Interest Earned	<u>9,561</u>	<u>1,827</u>	<u>11,388</u>
Net Cash Provided By Investing Activities	<u>9,561</u>	<u>1,827</u>	<u>11,388</u>
Net Increase (Decrease) In Cash And Cash Equivalents For The Year	(17,272)	15,950	(1,322)
Cash And Cash Equivalents, Beginning Of Year	<u>372,605</u>	<u>45,633</u>	<u>418,238</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 355,333</u>	<u>\$61,583</u>	<u>\$416,916</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
Combined Statement Of Cash Flows - All Proprietary Fund Types
For the Year Ended February 29, 2004

	<u>Proprietary Fund Types</u>	<u>Component Unit Medical Center</u>	<u>Total (Memorandum Only) Reporting Entity</u>
	<u>Enterprise</u>		
Cash Flow From			
<u>Operating Activities:</u>			
Net Income (Loss)	\$ 44,172	\$13,161	\$ 57,333
Add (Deduct) Items to Reconcile Net Income (Loss) to Net Cash Flows:			
Depreciation	83,461	2,789	86,250
(Increase) Decrease in Accounts Receivable	(5,829)	---	(5,829)
Decrease Due From Other Funds	9,467	---	9,467
(Increase) in Interest Receivable	(2,967)	---	(2,967)
Increase (Decrease) in Accounts Payable	(7,524)	---	(7,524)
Increase (Decrease) in Accrued Equipment Rent	---	---	---
Increase (Decrease) in Due to Other Funds	---	---	---
Increase (Decrease) Notes Payable	<u>(11,506)</u>	<u>---</u>	<u>(11,506)</u>
Net Cash Provided (Used) By Operations	<u>109,274</u>	<u>15,950</u>	<u>125,224</u>
Cash Flows From			
<u>Investing Activities:</u>			
(Increase) in Plant, Property & Equipment	<u>(126,546)</u>	<u>---</u>	<u>(126,546)</u>
Net Cash Provided (Used) From Investing Activities	<u>(126,546)</u>	<u>---</u>	<u>(126,546)</u>
<u>Net Increase (Decrease) In Cash And Cash Equivalents For The Year</u>	(17,272)	15,950	(1,322)
<u>Cash And Cash Equivalents, Beginning Of Year</u>	<u>372,605</u>	<u>45,633</u>	<u>418,238</u>
<u>Cash And Cash Equivalents, End Of Year</u>	<u>\$ 355,333</u>	<u>\$61,583</u>	<u>\$ 416,916</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Village of Onsted, Michigan conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Fund Accounting

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations; (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Nonexpendable Trust is accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

B. Fixed Assets and Depreciation

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and Expendable Trust Funds are accounted for on a spending of "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. A General Fixed Assets Group, which is required by accounting principles generally accepted in the United States of America has not been established.

All Proprietary Funds and Nonexpendable Trust Funds are accounted for on a cost of services of "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (revenue) and decreases (expenses) in net total assets.

Depreciation of fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives as follows: All assets in the sewer fund are depreciated on the straight line basis over five to thirty-five years. Assets in the water fund are depreciated on the straight line basis over ten to forty years.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collection governments and are recognized as revenue at that time.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exception to this general rule includes: principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds and Nonexpendable Trust are accounted for using the accrual basis of accounting. Their revenues are recognized when they are incurred. Water and Sewer Fund utility service receivables are recorded at year end.

D. Investments

Investments are stated at cost which approximates market.

E. Inventories

Inventories of supplies are immaterial and are not recorded.

F. Total Columns on Combined Statements

Total Columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, of changes in financial position, in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

G. Village Of Onsted - Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the Village of Onsted, (the primary government).

The financial reporting entity consist of (a) primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are financially dependent on it.

One organization or component unit is included in the financial reporting entity by discrete presentation.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

COMPONENT UNIT - The component unit column of the combined financial statements includes the financial data of the Medical Center, Onsted, MI. It is reported in a separate column to emphasize that it is legally separate from the Village. The members of there governing board of the component unit are elected/appointed. The component unit is fiscally dependent on the Village. Separate financial statements on the Medical Center are available from the Center.

H. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February, the Finance and Legal Committee submits to Village Council a proposed budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. The proposed budget is then published in the local newspaper and a public hearing is held on the budget.
3. The budget was amended periodically throughout the year.
4. The budget was legally enacted at the February, 2002 meeting.

I. Property Taxes

Property taxes which attach as an enforceable lien on the property as of January 1. Taxes are levied and payable in one installment winter. The Village collects its own property taxes including County and School portions. Village property tax revenues are recognized when levied to the extent that they result in current receivables. Delinquent real property taxes are reimbursed to the Village through the County revolving fund. Total operating millage 8.423

J. Cash And Cash Equivalents

Cash and cash equivalents defined for the statement of cash flows are demand deposits and other investments with maturities of less than three months

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

Note 2 - Depreciable Assets in Proprietary Fund

A summary of proprietary fund types follows:

	<u>Balance</u> <u>March 1,</u> <u>2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Feb. 28,</u> <u>2004</u>
<u>Sewer: Cost</u>				
Land	\$ 49,655	\$ ---	\$ ---	\$ 49,655
Plant, Prop. & Equip.	<u>2,173,497</u>	<u>103,546</u>	<u>---</u>	<u>2,277,043</u>
	<u>\$2,223,152</u>	<u>\$103,546</u>	<u>\$ ---</u>	<u>\$2,326,698</u>
<u>Sewer:</u>				
<u>Accum. Depr.</u>				
Plant, Prop. & Equip.	<u>\$1,470,358</u>	<u>\$ 71,436</u>	<u>\$ ---</u>	<u>\$1,541,794</u>
<u>Water: Cost</u>				
Land	\$ 2,000	\$ ---	\$ ---	\$ 2,000
Plant, Prop. & Equip.	<u>451,611</u>	<u>23,000</u>	<u>---</u>	<u>474,611</u>
	<u>\$ 453,611</u>	<u>\$ 23,000</u>	<u>\$ ---</u>	<u>\$ 476,611</u>
<u>Water:</u>				
<u>Accum. Depr.</u>				
Plant, Prop. & Equip.	<u>\$ 263,434</u>	<u>\$ 12,025</u>	<u>\$ ---</u>	<u>\$ 275,459</u>

Note 3 - Investments & Cash

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investments securities are classified as to credit risk by the three categories described below:

Category 1: Insured or registered, or securities held by the Village or its agent in the Village name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village name.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

Note 3 - Investments & Cash (Continued)

	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Checking	\$432,969	\$ ---	\$ ---	\$432,969	\$432,969
Certificate of Deposit/Savings	<u>245,151</u>	<u>---</u>	<u>---</u>	<u>245,151</u>	<u>245,151</u>
	<u>\$678,120</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$678,120</u>	<u>\$678,120</u>

Note: Cash balances exceed FDIC insurance amounts. All monies are on deposit with one bank at February 29, 2004.

Note 4 - Interfund Receivables and Payables

Interfund receivables and payables consists of the following at February 29, 2004.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$12,595	\$35,394
Water Fund	17,188	11,905
Sewer Fund	19,649	17,188
Tax Collection Fund	---	---
Park Fund	---	686
Major Street Fund	10,413	---
Local Street Fund	7,968	2,640
Payroll Tax Fund	---	---
	<u>\$67,813</u>	<u>\$67,813</u>

Note 5 - Balance Sheet Cash and Investments

Deposits are carried at cost. Deposits of the Village are at one bank. Act 217, PA 1982, authorizes the Village to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United State Government or Federal agency obligations repurchase agreements; bankers' acceptance of United State banks; mutual funds composed on investment vehicles; which are commercial paper rated by two standard rating agencies with in the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

Note 6 - Encumbrance System

The Village does not use an encumbrance system.

VILLAGE OF ONSTED, MICHIGAN
Notes To Financial Statements
February 29, 2004

Note 7 - Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Note 8 - Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Funds</u>	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>(Variance)</u>
<u>General Fund:</u>			
Crossing Guards	\$ 5,400	\$ 5,904	\$ 504
Audit & Accounting	2,495	3,190	695
Sidewalks	---	1,010	1,010
Community Promotion	5,800	6,876	1,076
Insurance	14,800	19,605	4,805

Note 9 - Long - Term Debt

Notes Payable - Ford Credit - Payments are made monthly at \$1,139.27 for 35 months and a final payment of \$1,139.55 for one month no interest secured by 2002 Ford F-350 Pickup.

Annual Debt Retirement:

2005 \$11,385

\$11,385

VILLAGE OF ONSTED, MICHIGAN
Special Revenue Funds
Combining Balance Sheet
For the Year Ended February 29, 2004

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Park Development Fund</u>
<u>Assets:</u>			
Cash	\$70,264	\$29,161	\$4,006
Due From Other Funds	10,412	7,968	---
Accounts Receivable - Equipment Rent	---	---	---
Total Assets	<u>\$80,676</u>	<u>\$37,129</u>	<u>\$4,006</u>
 <u>Liabilities And Fund Balance</u>			
<u>Liabilities:</u>			
Accounts Payable	\$ ---	\$ ---	\$ ---
Accrued Equipment Rent	---	2,617	---
Due to Other Fund	---	21	935
Total Liabilities	<u>---</u>	<u>2,638</u>	<u>935</u>
 <u>Fund Balances:</u>			
Unreserved - Undesignated	<u>80,676</u>	<u>34,491</u>	<u>3,071</u>
Total Liabilities & Fund Balances	<u>\$80,676</u>	<u>\$37,129</u>	<u>\$4,006</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$103,431	\$104,911
18,380	20,710
<u>---</u>	<u>---</u>
<u><u>\$121,811</u></u>	<u><u>\$125,621</u></u>
\$ ---	\$ ---
2,617	---
<u>956</u>	<u>3,750</u>
<u>3,573</u>	<u>3,750</u>
<u>118,238</u>	<u>121,871</u>
<u><u>\$121,811</u></u>	<u><u>\$125,621</u></u>

VILLAGE OF ONSTED, MICHIGAN

Special Revenue Funds

**Combining Statement Of Revenues, Expenditures And Changes In Fund Balances
For the Year Ended February 29, 2004**

	Major Street Fund	Local Street Fund	Park Development Fund
<u>Revenues:</u>			
Intergovernmental Revenues	\$ 50,527	\$14,127	\$ ---
Interest on Investments	826	221	6
Miscellaneous	9	40	1,210
Total Revenues	<u>51,362</u>	<u>14,388</u>	<u>1,216</u>
<u>Expenditures</u>			
Construction:			
Contracted Services	---	---	---
Routine Maintenance:			
Salaries, Wages & Fringe Benefits	20,661	2,880	---
Materials & Supplies	16,340	---	---
Road Repair & Supplies	5,448	16,902	---
Miscellaneous	---	---	---
Equipment Rental	3,224	---	---
Insurance	---	---	---
Winter Maintenance:			
Materials & Supplies	1,837	787	---
Miscellaneous	---	---	---
Equipment Rental	---	1,955	---
Insurance and Bonds	---	---	---
Sidewalks - Maintenance	---	---	---
Park:			
Salaries, Wages & Fringe Benefits	---	---	---
Materials & Supplies	---	---	965
Miscellaneous	---	---	---
Capital Outlay - Equipment	---	---	---
Equipment Rental	---	---	---
Total Expenditures	<u>47,510</u>	<u>22,524</u>	<u>965</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	---	12,000	---
Transfers Out	(12,000)	---	---
Total Other Financing Sources (Uses)	<u>(12,000)</u>	<u>12,000</u>	<u>---</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(8,148)	3,864	251
<u>Fund Balances, Beginning Of Year</u>	<u>88,824</u>	<u>30,627</u>	<u>2,820</u>
<u>Fund Balances, End Of Year</u>	<u>\$ 80,676</u>	<u>\$34,491</u>	<u>\$3,071</u>

The accompanying notes are an integral part of these financial statements.

	Totals	
<u>2004</u>		<u>2003</u>
\$ 64,654		\$ 61,763
1,053		1,189
1,259		1,247
<u>66,966</u>		<u>64,199</u>
---		---
23,541		21,631
16,340		3,535
22,350		4,368
---		---
3,224		5,710
---		1,139
2,624		84
---		---
1,955		---
---		---
---		---
---		---
965		1,111
---		---
---		---
---		---
<u>70,999</u>		<u>37,578</u>
12,000		4,000
<u>(12,000)</u>		<u>(4,000)</u>
---		---
(4,033)		26,621
<u>122,271</u>		<u>95,650</u>
<u>\$118,238</u>		<u>\$122,271</u>

VILLAGE OF ONSTED, MICHIGAN
Combining Balance Sheet Enterprise Funds
February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>
<u>Assets</u>		
<u>Current Assets:</u>		
Cash:		
Demand Deposits	\$ 35,545	\$117,618
Savings	202,170	---
Accounts Receivable - Service Fees	14,524	11,969
Due from Other Funds	19,649	17,188
Prepaid Insurance	381	2,730
	<u>272,269</u>	<u>149,505</u>
Total Current Assets		
<u>Property, Plant And Equipment:</u>		
Land	49,655	2,000
Plant, Property and Equipment	2,277,043	474,611
	2,326,698	476,611
Less: Accum. Depreciation	<u>(1,541,794)</u>	<u>(275,459)</u>
Net Book Value, Property, Plant and Equipment	<u>784,904</u>	<u>201,152</u>
Total Assets	<u><u>\$ 1,057,173</u></u>	<u><u>\$350,657</u></u>
<u>Liabilities & Retained Earnings</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 390	\$ 668
Due to Other Funds	17,188	11,905
Accrued Equipment Rent	---	---
Notes Payable - Bank	361,491	---
	<u>379,069</u>	<u>12,573</u>
Total Current Liabilities		
Contributed Capital	395,842	50,000
Retained Earnings	<u>282,262</u>	<u>288,084</u>
Total Contributed Capital and Retained Earnings	<u>678,104</u>	<u>338,084</u>
Total Liabilities, Contributed Capital and Retained Earnings	<u><u>\$ 1,057,173</u></u>	<u><u>\$350,657</u></u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$ 153,163	\$ 173,384
202,170	199,221
26,493	20,664
36,837	46,304
3,111	144
<u>421,774</u>	<u>439,717</u>
51,655	51,655
<u>2,751,654</u>	<u>2,625,108</u>
2,803,309	2,676,763
<u>(1,817,253)</u>	<u>(1,733,792)</u>
<u>986,056</u>	<u>942,971</u>
<u>\$ 1,407,830</u>	<u>\$ 1,382,688</u>
\$ 1,058	\$ 8,582
29,093	29,093
---	---
<u>361,491</u>	<u>372,997</u>
<u>391,642</u>	<u>410,672</u>
445,842	480,647
<u>570,346</u>	<u>491,369</u>
<u>1,016,188</u>	<u>972,016</u>
<u>\$ 1,407,830</u>	<u>\$ 1,382,688</u>

VILLAGE OF ONSTED, MICHIGAN
Combining Statement Of Revenues, Expenditures And Changes In Retained
Earnings And Contributions - Enterprise Funds
For Year Ended February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>
<u>Operating Revenues:</u>		
Charges for Services	\$216,342	\$ 92,745
Miscellaneous	<u>17,379</u>	<u>9,128</u>
Total Operating Revenues	<u>233,721</u>	<u>101,873</u>
<u>Operating Expenses:</u>		
Salaries, Wages and Fringe Benefit	51,427	30,196
Supplies	328	273
Repairs and Maintenance	74,742	6,139
Printing and Publishing	---	---
Utilities	16,033	9,529
Equipment Rental	361	767
Miscellaneous/Insurance	2,584	2,213
Depreciation	<u>71,436</u>	<u>12,025</u>
Total Operating Expenses	<u>216,911</u>	<u>61,142</u>
Operating Income (Loss)	<u>16,810</u>	<u>40,731</u>
<u>Non-Operating Income:</u>		
Interest on Investments	6,642	2,919
Transfer From Other Funds	<u>---</u>	<u>---</u>
Net Non-Operating Income	<u>6,642</u>	<u>2,919</u>
<u>Non-Operating (Expense):</u>		
Interest on Loans	<u>(22,930)</u>	<u>---</u>
Total Non-Operating (Expense)	<u>(22,930)</u>	<u>---</u>
Net Income (Loss)	522	43,650
<u>Amortization Of Contributed Capital</u>		
	<u>34,805</u>	<u>---</u>
Net Increase (Decrease) in Retained Earnings	35,327	43,650
<u>Retained Earnings - Beg. Of Year</u>	<u>677,582</u>	<u>294,434</u>
<u>Retained Earnings - End Of Year</u>	<u>\$712,909</u>	<u>\$338,084</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$ 309,087	\$241,564
<u>26,507</u>	<u>1,840</u>
335,594	243,404
81,623	76,693
601	584
80,881	34,263
---	604
25,562	27,869
1,128	1,960
4,797	17,974
<u>83,461</u>	<u>79,228</u>
278,053	239,175
<u>57,541</u>	<u>4,229</u>
9,561	10,706
---	---
<u>9,561</u>	<u>10,706</u>
(22,930)	(10,017)
<u>(22,930)</u>	<u>(10,017)</u>
44,172	4,918
34,805	34,805
78,977	39,723
972,016	932,293
<u>\$1,050,993</u>	<u>\$972,016</u>

VILLAGE OF ONSTED, MICHIGAN
Combining Statement Of Cash Flows - Enterprise Funds - Indirect Method
For the Year Ended February 29, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>
<u>Cash Flows From Operating</u>		
<u>Activities</u>		
Net Income (Loss)	\$ 522	\$ 43,650
Add (Deduct) Items to Reconcile		
Net Income to Net Cash Flows:		
Depreciation	71,436	12,025
(Increase) Decrease in Accounts Receivable	(2,574)	(3,255)
(Increase) Decrease in Due from Other Funds	9,467	---
(Increase) Decrease in Interest Receivable	(237)	(2,730)
Increase (Decrease) in Accounts Payable	(7,939)	415
Increase (Decrease) in Accrued Equipment Rent	---	---
Increase (Decrease) in Due to Other Funds	---	---
Increase (Decrease) Notes Payable	<u>(11,506)</u>	<u>---</u>
Net Cash Provided (Used) from Operations	<u>59,169</u>	<u>50,105</u>
 <u>Cash Flows From Investing Activities:</u>		
Purchase of Plant, Properties and Equipment	<u>(103,546)</u>	<u>(23,000)</u>
Net Cash Provided (Used) from Investing Activities	<u>(103,546)</u>	<u>(23,000)</u>
 <u>Net Increase (Decrease) In Cash and Cash</u>		
<u>Equivalents For The Year</u>	(44,377)	27,105
 <u>Cash & Cash Equivalents - Beginning Of Year</u>	<u>282,092</u>	<u>90,513</u>
 <u>Cash & Cash Equivalents - End Of Year</u>	<u>\$ 237,715</u>	<u>\$117,618</u>

The accompanying notes are an integral part of these financial statements.

Totals	
<u>2004</u>	<u>2003</u>
\$ 44,172	\$ 4,918
83,461	79,228
(5,829)	(385)
9,467	(27,596)
(2,967)	283
(7,524)	(232,663)
---	---
---	9,434
<u>(11,506)</u>	<u>247,997</u>
<u>109,274</u>	<u>81,216</u>
 <u>(126,546)</u>	 <u>(68,179)</u>
<u>(126,546)</u>	<u>(68,179)</u>
 (17,272)	 13,037
<u>372,605</u>	<u>359,568</u>
<u>\$ 355,333</u>	<u>\$ 372,605</u>

VILLAGE OF ONSTED, MICHIGAN
Combining Balance Sheet - All Agency Funds
February 29, 2004

	<u>Tax Collection Fund</u>	<u>Payroll Tax Fund</u>	<u>Totals</u> <u>2004</u>	<u>2003</u>
<u>Assets</u>				
Cash	\$ 50	\$ ---	\$ 50	\$5,502
Due from Other Funds	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total Assets	<u>\$ 50</u>	<u>\$ ---</u>	<u>\$ 50</u>	<u>\$5,502</u>
<u>Liabilities</u>				
Payroll Tax Withholdings and Accruals	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	<u>50</u>	<u>---</u>	<u>50</u>	<u>5,502</u>
Total Liabilities	<u>\$ 50</u>	<u>\$ ---</u>	<u>\$ 50</u>	<u>\$5,502</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
Agency Funds
Combining Statement Of Changes In Assets And Liabilities
February 29, 2004

	<u>Balance March 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance February 29</u>
<u>Tax Collection Fund</u>				
Assets:				
Cash in Bank	\$ 30	\$163,896	\$163,876	\$ 50
Liabilities:				
Due to Other Funds/Authorities	\$ 30	\$163,896	\$163,876	\$ 50
<u>Payroll Fund</u>				
Assets:				
Cash in Bank	\$5,472	\$ ---	\$ 5,472	\$ ---
Due from Other Funds	---	---	---	---
Total Assets	<u>\$5,472</u>	<u>\$ ---</u>	<u>\$ 5,472</u>	<u>\$ ---</u>
Liabilities:				
Withholding Payables	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	5,472	---	5,472	---
Total Liabilities	<u>\$5,472</u>	<u>\$ ---</u>	<u>\$ 5,472</u>	<u>\$ ---</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash in Bank	\$5,502	\$163,896	\$169,348	\$ 50
Due From Other Funds	---	---	---	---
Total Assets	<u>\$5,502</u>	<u>\$163,896</u>	<u>\$169,348</u>	<u>\$ 50</u>
Liabilities:				
Withholding Payables	\$ ---	\$ ---	\$ ---	\$ ---
Due to Other Funds	5,502	163,896	169,348	50
Total Liabilities	<u>\$5,502</u>	<u>\$163,896</u>	<u>\$169,348</u>	<u>\$ 50</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
General Fund
Schedule Of Expenditures By Detailed Account
For the Year Ended February 29, 2004

Village Council:

Fees and Per Diem	\$ 2,200
Communication	2,000
Printing and Publishing	1,266
Memberships and Dues	1,386
Miscellaneous	4,166
Loan Payments - Truck	13,671
Fuel	3,652
	<u>28,341</u>

Wages & Fringe Benefits - Unallocated 53,707

Elections

Miscellaneous/Printing, Etc. 441

Legal

4,179

Clerk:

Salary and Fringe Benefits	8,742
Office Supplies	<u>56</u>
	8,798

Auditing And Accounting

3,190

Treasurer:

Salary and Fringe Benefits 4,774

Village Halls And Grounds:

Wages and Fringe Benefits	1,000
Operating Supplies	13,354
Utilities	7,932
Building Repairs and Maintenance	21,609
Insurance and Bonds	19,605
Property Taxes	<u>318</u>
	63,818

Payroll Service:

1,510

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ONSTED, MICHIGAN
General Fund
Schedule Of Expenditures By Detailed Account
For the Year Ended February 29, 2004

Protective Inspection

Wages	\$ 8,145
Seminars & Education	300
Printing & Publishing	140
	<u>8,585</u>

Police Protection:

Contracted Services	<u>12,000</u>
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Crossing Guards

5,904

Street Lighting

16,172

Sanitation:

Contracted Services	<u>16,336</u>
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Planning/Zoning

117

Community Promotion

6,876

Library

3,500

Total Expenditures

\$238,248

PHILIP R. RUBLEY

- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

August 30, 2004

**To the Village Council
Village of Onsted
Lenawee County, Michigan 49265**

We have completed our audit of the combined general purpose financial statements of the Village of Onsted as of and for the year ended February 29, 2004, and have issued our report thereon dated August 30, 2004. As part of our audit, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of such evaluation was to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that were necessary for expressing an opinion on the financial statements and to assist us in planning and performing this examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Village of Onsted taken as a whole. Our study and evaluation disclosed the following conditions that we believe to be material weaknesses for which corrective action by management is practicable.

1. **General Ledger**

Each fund maintained by the Village must balance independently. The over all general ledger balances, but not the individual funds which it is made up of.

2. **Timing of Transactions**

Proper timing of posting and receipt of transactions to the month received and expended must be done for all funds.

3. **Government Accounting Standard Board Statement No. 34 - Basic Financial Statements - And Management's Discussion And Analysis**

Effective June 15, 2001 the Governmental Accounting Standard Board pronouncement 34 was set in motion. This changes many items in the reporting model. There are six major differences between the current model and statement 34.

1. Key definitions for governmental reporting. The objective here is to enhance the understandability and usefulness of the general-purpose external financial reports to users. This will require government - wide financial statements along with fund financial statements.
2. Letter of Transmittal and Management Discussion and Analysis. The objective is for management to outline basic information, provide subjective analysis of projects and initiatives, describe service efforts and accomplishments and include descriptions of reporting requirements and acknowledgments.
3. Combined financial statements and government - wide reporting.
4. Infrastructure accounting and reporting.
5. Measurement focus and basis of accounting. The objective - full accrual accounting vs. modified accrual basis for government - wide statements. Fund statements will still be on accrual and modified accrual.
6. Revisions to fund Financial Statements.

Effective date for Village of Onsted will be years beginning after June 15, 2003. It will be necessary to start by the end of next fiscal year February 29, 2004.

4. **Disbursements**

All invoices paid should be stamped paid, with date and A/C number charged to in general ledger. ONLY pay from invoice. Also be sure computer generated check numbers are the same as preprinted numbers on the checks.

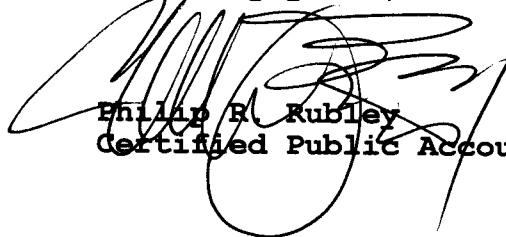
Village of Onsted
August 30, 2004
Page 3

The foregoing conditions were considered in determining the nature, timing and extent of audit tests applied in our examination of the financial statements, and this report of such conditions does not modify our report dated August 30, 2004, on such financial statements.

If we can be of any further assistance to you, please do not hesitate to contact us.

We express our appreciation for the courtesies and cooperation extended to us while conducting the audit.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Philip R. Rubley', is written over the printed name and title.

Philip R. Rubley
Certified Public Accountant

PRR/cab